

## Mark-to-Market Program Overview and Goals

### Mark-to-Market (M2M) Program Objectives

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#### Section 1-1

The M2M program has three basic goals:

- A. **Social.** Preserving the affordable housing stock by maintaining the long-term physical and financial integrity of certain privately-owned, HUD-subsidized rental housing insured by FHA.
- B. **Economic.** Reducing long-term project-based Section 8 rental assistance costs; and reducing the cost of insurance claims paid by FHA.
- C. **Administrative.** Establishing a nationwide network of locally-based Participating Administrative Entities (PAEs) to administer the M2M program; promoting greater operating and cost efficiencies in Section 8 assisted properties; and addressing problem properties by terminating relationships with “bad owners” where appropriate (see Chapter 6)

### Types of Transactions

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#### Section 1-2

OAHP is responsible for restructuring M2M eligible properties that have above-market rents under their expiring Section 8 contracts. There are 3 types of M2M transactions:

- A. **Rent Comparability Reviews.** When an owner indicates the current Section 8 contract rents are below market, but HUD disagrees, the PAE completes a market rent analysis. Rent Comparability Reviews are addressed entirely in Chapter 11.
- B. **Lites.** When an owner elects Section 8 contract renewal without restructuring of mortgage debt, the PAE completes a market rent analysis, Physical Condition Assessment (PCA), and streamlined underwriting. An ineligible Lite will be asked to convert to a Full.

With the exception of limited references in Chapter 3, Lites are addressed entirely in Chapter 10.

- C. **Fulls.** When an owner elects Section 8 contract renewal coupled with restructuring of mortgage debt, the PAE develops a Full Restructuring Plan addressing both rents and debt. These properties will be subject to a Use Agreement and some of these projects may convert to tenant-based assistance. The rest of this Guide, other than Chapters 10 and 11, addresses Full transactions.

## Program Timetable

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### Section 1-3

- A. **Rent Comparability Reviews.** The standard processing time is 75 days. (See Chapter 11.)
- B. **Lites.** Under the terms of the Portfolio Restructuring Agreement, for Lite transactions, the PAE must order all third party reports within 30 days and submit an approvable restructuring recommendation to OAHP within 90 days for Tier I Lites and 120 days for Tier II Lites
- C. **Fulls.** The PAE has 12 months to close the transaction under the terms of the Portfolio Restructuring Agreement. To ensure that this timeframe is met for Full transactions, the Portfolio Restructuring Agreement also requires the PAE to:
  1. order third party reports within 30 days;
  2. complete due diligence within 150 days;
  3. submit an approvable Restructuring Plan, an AOTC recommendation, or a recommendation for conversion to a Lite within 210 days of the PAE's acceptance of the asset.

PAEs should generally allow 2-3 months after issuance of a Restructuring Commitment to complete closing.

## Overview of M2M Full Restructuring Process

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### Section 1-4

STAGES	COMMENTS
Owner Files H 99-35 Option	Owner elects Full or Lite processing 120 days prior to expiration of the Section 8 Contract.
Project Assigned to PAE	After clearing Conflict of Interest review.
Kick-Off Meeting	PAE and owner discuss process, documents, and submission requirements. Owner encouraged to invite current and/or new lender.
Section 8 Contract Expires, Extension begins	Regulations constrain Contract renewal at above market rents to no more than 1 year

	from this date regardless of processing status.
Notice of First Tenant Meeting	Invites residents and interested community groups to meeting and to comment on development of Restructuring Plan.
First Tenant Meeting	Held between 20 and 40 days of Notice.
Complete Data Collection/Due Diligence	PAE obtains limited scope appraisal and PCA and other property and market information.
PAE Completes Underwriting/Drafts Restructuring Plan	Throughout development, as needed, PAE discusses with Owner, addresses tenant concerns, and obtains OAHP comment on deal terms.
Notice of Second Tenant Meeting	Invites residents and interested community groups to second meeting and to comment on draft Restructuring Plan.
Second Tenant Meeting	Held at least 10 days prior to submitting Restructuring Plan to OAHP and at least 10 days after making Draft Plan available to tenants.
Completion of Restructuring Plan	PAE completes the Restructuring Plan, submits for review and approval to the OAHP Preservation Office.
Restructuring Commitment Prepared by PAE and Submitted to OAHP	OAHP Preservation Office Director executes Restructuring Commitment.
Restructuring Commitment Executed by Owner	Signifies Owner agreement to Restructuring Plan.
Notice of Completion of Restructuring Plan	PAE provides Notice to residents and interested community groups within 10 days of Owner execution of Restructuring Commitment.
Closing Documents Prepared	Complete Claims package must be submitted at least 15 days prior to funding.
Closing Documents Executed	PAE coordinates closing through 3 <sup>rd</sup> party escrow agent.